



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Cap Rental on Durable Medical Equipment and Volume Purchasing

Change to Base	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
Cap Rental on DME	-\$313,300	-\$753,300	-\$627,700	-\$1,509,200
Volume Purchasing	\$0	\$0	-\$500,000	-\$1,202,200
MA Expenditures	-\$313,300	-\$753,300	-\$1,127,700	-\$2,711,400

Description of Proposal

- Implement a capped rental policy for durable medical equipment (DME) so that rental payments on DME would not exceed the purchase price of that equipment.
- Expand the use of volume purchase arrangements in Medicaid.

Background

Cap Rental on DME

- Some DME provided by Wisconsin Medicaid is rented over long periods of time, sometimes exceeding the purchase price of the equipment.
- The prior authorization process usually determines whether DME should be purchased or rented depending on the recipient's needs and the type of equipment. However, the purchase option is not available for some DME. Also, sometimes short-term rental is authorized when there is a purchase option but the recipient continues to use the equipment for longer than originally anticipated.
- In FY02 DME expenditures totaled \$34,248,210 AF (\$14,127,427 GPR).
- A capped rental rate would only be applied to equipment for which there would be savings. Examples of equipment that DHCF has identified include oxygen concentrators, ambulatory infusion pumps, continuous positive airway pressure devices, and enteral nutrition pumps.
- For each piece of equipment, a rental period would be determined. The Department would then adopt a monthly rental rate such that the total of the monthly payments equals the price of the equipment. Once the rental payments have reached the purchase price, Medicaid will only pay for maintenance.
- While the equipment is being rented the provider will be responsible for repairs and maintenance. After the equipment is purchased, according to federal rules, the recipient maintains possession of the equipment. The provider would then be reimbursed for necessary repairs and maintenance until the recipient no longer needs the equipment or the equipment reaches the end of its useful life.

Expand Volume Purchasing

- Through a contractual arrangement with an eyewear manufacturing laboratory, Wisconsin Medicaid currently uses a volume purchase strategy to provide vision services to recipients.
- In previous years, Wisconsin Medicaid has examined the potential of utilizing volume purchasing to obtain other Medicaid covered services.
- Under this proposal the Medicaid program will further examine and, where feasible, implement a contract or contracts for the provision of services such as incontinent supplies, audiology equipment, wheelchairs and other medical supplies and equipment.

Rationale for Proposal

Cap Rental on DME

- Currently, Medicare and other third party payers successfully use a capped rental policy for durable medical equipment (DME).
- This proposal creates savings by eliminating overpayments in the Medicaid DME reimbursement system.

Expand Volume Purchasing

- The use of preferred vendors is a common practice among private health insurers.
- Other state Medicaid programs use volume purchase for various items. For examples, Michigan has a contract for incontinent supplies, and Minnesota arranges for the provision of audiology equipment through volume purchase agreements.
- Wisconsin's experience with contracting for the provision of eyewear has been cost effective with very few problems.